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SUBJECT: EB A/S WAYNE'S MEETING WITH GERMAN EU PERM REP
SCHOENFELDER

Classified By: Rick Holtzapple, PolOff, Reasons 1.4 (B/D)

SUMMARY

11. (C) In a September 21 meeting with Assistant Secretary for Economic and Business Affairs Tony Wayne, German EU Permanent Representative Wilhelm Schoenfelder observed that Iraq continues to dominate US-EU relations. While clearly in Europe's interest to contribute to stabilization, domestically in Germany it would cause "major problems" to get involved in-country. On Cyprus, Schoenfelder said it has been "extremely difficult to get any signs of flexibility" from the Greek Cypriots. He was optimistic an aid package could be approved, if no money is spent on "contested territory" or infrastructure on such land; but was less confident a trade package could be agreed. On Turkey, unless penal code reform is completed, the Commission could only issue a "yes, if..." recommendation on opening accession negotiations. Despite European public opposition, Schoenfelder argued the EU had already gone too far to say "no" -- the choices should only be between "yes" or "yes, if..." Schoenfelder also shared his views on the EU's top priorities over the next year. END SUMMARY.

IRAQ

12. (SBU) Schoenfelder opened the meeting by saying that the Iraq was still the dominant issue in transatlantic relations, especially with European public opinion. It was important to figure out how to change that. He acknowledged that the transfer of sovereignty to the interim government was important in addressing this, but that there remained serious questions about when the Iraqis themselves could assume responsibility for security and US troops could start pulling out. It was in everyone's interest to contribute to stabilizing Iraq, and Schoenfelder pointed to the EU financial contribution and German efforts on training Iraqis outside of Iraq. But he added that it would cause "major problems" for the German government domestically to try and do any such activities within Iraq.

CYPRUS

13. (C) Schoenfelder recalled that he had been visited by a Turkish Cypriot delegation (including the agriculture minister and mayor of Nicosia) two weeks ago, and they had made a good impression. He contrasted that with his experience in the EU Perm Reps' Committee (COREPER), where his Greek Cypriot colleague was being "extremely inflexible", clearly on instructions from Nicosia. Schoenfelder reaffirmed the rest of the EU's desire to end the isolation of northern Cyprus, but admitted it was proving extremely difficult, since financial assistance must be unanimously agreed and legal arguments continued over whether trade measures would also require consensus. The trade package remains the more difficult one. Schoenfelder was optimistic that, if the two pieces were decoupled the aid package could be approved. But he underlined that even these measures would be heavily constrained, as there was already agreement within the EU that this aid would not be spent on infrastructure projects in "contested territory"; and his understanding was that as much as 85 percent of northern Cyprus could fit in that category. He also acknowledged that the Turkish Cypriots put more importance on the trade package than on the financial assistance.

TURKEY

14. (C) Schoenfelder said he understood the Commission's position was clear, if Turkey did not complete the reform of the penal code, then the best the Commission could do was to issue a "yes, if..." recommendation, which could well mean that the Commission would have to prepare a subsequent report assessing any such reforms before the Council could take a final decision on opening accession negotiations. This would risk a delay in such a decision. Schoenfelder also gave a rather negative assessment on the value of Turkish accession, arguing that from the EU point of view it would only cause great strains institutionally and on such policies as the Common Agricultural Policy (CAP) and regional funds, and from the German point of view it would only help stir up extreme

right-wing politics. Nonetheless, he said that the EU had "passed the point of no return" in 1999 in Helsinki when EU leaders declared Turkey a candidate country. Turkey would not be satisfied with an offer of a "special relationship" with the EU. So EU leaders could not simply say "no," the EU had already gone too far for that, and Turkey was much too important to treat that way. While it would be a difficult decision, Schoenfelder felt the EU would have little choice but to say either "yes" or "yes, but..." on opening negotiations. (In subsequent discussions, Dutch and Polish officials reaffirmed their commitment to push ahead for a "yes" decision in December.)

EU PRIORITIES FOR THE COMING YEAR

15. (SBU) Asked by A/S Wayne about key issues facing the new Commission, Schoenfelder replied that the most important issues facing the EU right now were not directly within the Commission's competence. First was ratification of the EU Constitutional Treaty; "in two years we'll know if we can do it." Second was agreement on the EU's Financial Perspective for 2007-2013. He forecast very difficult negotiations. When A/S Wayne commented that this might present an opportunity for significant revision of the CAP, Schoenfelder's response was firm: "nobody will touch" the agreement of October 2002 made by French President Chirac and German Chancellor Schroeder setting the terms of CAP spending for this period. In areas more within the Commission's realm, Schoenfelder highlighted the Services Directive, financial markets liberalization, and conclusion of the Doha Round as top priorities.

16. (U) A/S Wayne has cleared this cable.

SCHNABEL